

# NEWS RELEASE

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## **Hydromet Environmental (USA) Inc., Company Executives Charged with Environmental Crimes**

Urbana, IL – Rodger A. Heaton, United States Attorney for the Central District of Illinois, and Penny A. Prochazka, Special Agent in Charge of the Criminal Investigation Division of the U.S. Environmental Protection Agency, announced today that a defunct east central Illinois hazardous waste reclamation company and five of its former officers and employees have been indicted by a federal grand jury for criminal violations of the Resource Conservation and Recovery Act (RCRA,) the federal law governing the treatment and disposal of hazardous waste. The indictment alleges Hydromet Environmental (USA), Inc. and five individuals engaged in a criminal conspiracy to illegally transport, store and dispose of hazardous wastes at its Newman, Illinois facility beginning in 1999 and continuing to February 2003.

In addition to Hydromet Environmental (USA) Inc., an American subsidiary of a Canadian firm known as Hydromet Environmental Recovery, Ltd., those charged include: William A. Morgan, former Chairman of the Board and CEO; John E. Pugh, former plant manager; Julianna H. Bauter, former environmental compliance official; Douglas Bennett, former chemist; and Ronald I. Martin, former warehouse supervisor.

“The indictment alleges that these defendants intentionally violated hazardous waste laws, attempted to hide stockpiles of hazardous waste, lied to investigators, and put our environment at risk, all to avoid paying the costs of proper disposal,” U.S. Attorney Heaton said. “The U.S. Attorney’s Office is committed to prosecuting anyone who would seek an unfair economic advantage over responsible companies, particularly by ignoring laws designed to protect human health and the environment.”

The indictment, returned by the grand jury on January 20, 2006, was unsealed in U.S. District court in Urbana, Illinois today with the initial appearance of defendant Pugh, 65, a resident of Charleston, Illinois. A citizen of the United Kingdom, Pugh was arrested today, January 23, 2006. During today’s court proceeding, Pugh was ordered to surrender his passport and was released on his own recognizance. Extradition proceedings will be initiated for Morgan, 76, a Canadian citizen who resides in Hamilton, Ontario, Canada. Summonses will be issued for Bauter, 61, Bennett, 47, and Martin, 63, all of Newman, Illinois, to appear in court at a date to be determined by the Clerk of the U.S. District Court.

The criminal charges are the result of a joint investigation by U.S. EPA’s Criminal Investigation Division, the Illinois Environmental Protection Agency and the Illinois Department of Natural Resources. Assistant U.S. Attorney Timothy A. Bass is prosecuting the case.

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According to the indictment, Hydromet's Newman, Illinois facility was unsuccessful from its inception because it did not possess any technically or economically viable processes to reclaim metals from the hazardous wastes it was accepting. Following Morgan's employment in 1997, Hydromet received money for operations from investors being sought to invest in Hydromet's Canadian operation.

Hydromet purchased the facility, including more than 100 storage and reaction tanks, boilers, and other related equipment, in January 1995 from a metals recycling company that held a permit and was authorized to treat various forms of hazardous waste in compliance with the U.S. Resource Conservation and Recovery Act (RCRA). Three years later, Hydromet's financial situation was so severe it was unable to pay its employees and electrical service was shut off. Operations were shut down in January 1998, with tons of hazardous wastes remaining on-site. From 1995 to about 1998, the indictment alleges Hydromet received more than 3.8 million pounds of toxic and reactive hazardous wastes and materials including cyanide, arsenic, lead, cadmium, hexavalent chromium, nickel and selenium.

At about the same time the facility shut down, in early 1998, the State of Illinois began enforcement action against Hydromet resulting in an "Agreed Preliminary Injunction" filed in state court on May 13, 1999. The injunction required Hydromet to properly process the materials or dispose of them at a permitted site no later than May 31, 1999.

To avoid the costs of proper disposal of hazardous wastes and to fraudulently obtain IEPA's approval to resume operations, the indictment alleges the defendants illegally shipped wastes to a dilapidated warehouse in East Chicago, Indiana that was owned by a friend and business associate of Morgan; hid hazardous waste on-site from IEPA, then used false documentation to ship the material for disposal, including to a non-hazardous landfill in Indianapolis; and, created the false appearance that all hazardous waste had been properly disposed of and the facility was capable of operating as of June 2002, when in fact, the defendants knew the representations were false. As a result of the false statements and misrepresentations, IEPA authorized Hydromet to resume operations in November 2002.

The indictment alleges that the defendants conspired to transport hazardous wastes without required manifests; to transport to and to store and dispose of hazardous wastes at facilities, including a landfill, that were not permitted to store and dispose of hazardous wastes; and, to knowingly make false and fraudulent statements within the jurisdiction of the U.S. Environmental Protection Agency (U.S. EPA). The indictment also charges the defendants with specific crimes arising out of the conspiracy, including criminal violations of the Resource Conservation and Recovery Act and making false and fraudulent statements within U.S. EPA's jurisdiction.

If convicted, each defendant could each face up to five years in prison on each count as well as a fine of up to \$50,000 per day of violation or \$250,000 whichever is greater.

Members of the public are reminded that an indictment is merely an accusation; the defendants are presumed innocent unless proven guilty.

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